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INFO RUCPDO/USDOC WASHDC PRIORITY
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RUEHIT/AMCONSUL ISTANBUL PRIORITY 1704
RUEHDA/AMCONSUL ADANA PRIORITY 1378
RUCNRAQ/IRAQ COLLECTIVE

UNCLAS ANKARA 006526

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E.O. 12958: N/A

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SUBJECT: TURKEY-IRAQ JEC FORMULATES ECONOMIC ROADMAP

Ref: A) Ankara 5844 B) Ankara 6487

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¶1. (SBU) Summary: In a November 15 - 17 meeting of the Turkey-Iraq Joint Economic Committee (JEC), Turkey laid out what it called a roadmap for long-term economic cooperation and integration with its Iraqi neighbors. Turkish Foreign Trade Officials continue to emphasize Turkey's interest in expanding trade with Iraq, but the vision remains general and contingent on the establishment in Iraq of a political order that is acceptable to Turkey. End Summary.

¶2. (SBU) Turkish Foreign Trade Undersecretariat (FTU) officials told us that the November 15 - 17, 2006 meeting of the Turkey-Iraq JEC (ref A) resulted in a roadmap for long-term economic cooperation and integration of the two economies. Turkish State Minister for Foreign Trade, Kursad Tuzmen, and Iraqi Oil Minister, Hussain Al-Shahrastani, chaired the meetings. We e-mailed the Agreed Minutes to Embassy Baghdad and to EUR/SE, and NEA/I.

¶3. (SBU) In a November meeting, Foreign Trade Undersecretariat Director General, Sevkettin Ilgac, referred to the Agreed Minutes as a "roadmap" for the future integration of the two economies and Iraq's economic development. The two sides agreed to work together to conclude a preferential trade agreement, a double taxation treaty, and a bilateral investment treaty. They agreed to open second and third border crossings and to create "border trade centers," as well as to enhance air, road, and transportation hubs and Turkish electricity exports. The two sides also agreed to exchange agricultural information and for Turkey to provide assistance on animal disease and veterinary cooperation. Looking even further into the future to the creation of a free trade area, the Turks gave the Iraqi delegation a copy of Turkey's preferential trade agreement with Georgia (which he said will be signed in the next few weeks) as an example of the type of agreement Turkey would eventually like to sign with Iraq. Ilgac also emphasized Turkey's support for Iraq's future membership in the WTO. Ilgac stressed that realigning this vision of a comprehensive relationship would require political and security stabilization in Iraq.

¶4. (SBU) The delegates also reached agreement on closing out the settle the remaining balances in the accounts in Turkey established under the Saddam-era Border Trade Agreement (BTA). Under this barter agreement, Iraq accepted Turkish goods in return for oil shipments to Turkey. At the time of the 2003 war, there remained a balance in favor of Iraq. A technical meeting on fuel trade issues focused mostly on SOMO shipments from Turkey to Iraq and the ongoing payment issues (ref B).

¶5. (SBU) Comment: While problems in fuel trade continue to dominate current trade discussions between Iraq and Turkey, FTU officials emphasized again their keen interest in developing stronger trade relations with Iraq in the long-term interest of both countries. For the moment the ideas remain general and details undefined, but

holding out the prospect of an eventual bilateral free trade agreement shows the potential for mutual economic development should Iraq achieve a form of political stability that Turkey finds acceptable. End comment.

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